

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NORTH MARSHALL WATER DISTRICT APPLICATION)	
FOR (1) CERTIFICATION OF PUBLIC CONVENIENCE)	
AND NECESSITY (2) APPROVAL OF FINANCING)	CASE NO.
THROUGH K.I.A. (3) GENERAL RATE INCREASE (4))	94-003
REQUEST FOR APPROVAL OF VARIANCE ON FINANCIAL)	
DATA)	

INTERIM ORDER

By application filed January 3, 1994, North Marshall Water District ("North Marshall") is seeking authorization to construct a \$1,625,000 waterworks improvement project, for approval of its plan of financing for this project and for adjustment of its water service rates. The project will be funded through a Kentucky Infrastructure Authority ("KIA") loan in the amount of \$1,625,000. The loan will be for a 20-year period at a projected interest rate of 6.5 percent. The actual interest rate is to be determined at the time of closing. The application was considered filed on January 28, 1994, when all deficiencies were cured. North Marshall's proposed rates for water service would generate additional annual revenues of \$254,230, or an increase of 46.6 percent.

Plans and specifications for the proposed improvements prepared by Florence and Hutcheson, Inc. of Paducah, Kentucky ("Engineer"), have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

This order addresses the construction, financing and revenue requirement portions of the application. In the final Order in this case, the Commission will set rates sufficient to provide the utility with the revenue requirement approved herein.

Commission Staff conducted a limited financial review of North Marshall's operations for the test period, calendar year 1992. Based upon this review, Commission Staff issued a report on April 15, 1994 recommending approval of the proposed increase in annual operating revenues of \$254,230.

A public hearing on North Marshall's application was held on May 3, 1994. No evidence was presented at the hearing to challenge the construction and financing as proposed in the application or recommendations made by Staff related to North Marshall's revenue requirement. The Commission has reserved the issue of the rate structure for the final Order because there is substantial conflicting evidence in the record regarding the appropriate methodology to be used in the rate design structure. The issuance of this Interim Order is intended to facilitate North Marshall's obligations to KIA, who will be financing the construction.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. Public convenience and necessity require that the construction proposed be performed and that a Certificate of Public Convenience and Necessity be granted.

2. The proposed construction consists of 4.64 miles of 12- and 6-inch diameter pipelines, six new fire hydrants, two elevated

500,000-gallon storage tanks, and related appurtenances. After allowances are made for fees, contingencies, other indirect costs, the total cost of this project is approximately \$1,625,000.

3. North Marshall should monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), North Marshall should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

4. North Marshall should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

5. Any deviation from the construction approved should be undertaken only with the prior approval of the Commission.

6. North Marshall should furnish duly verified documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Said construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

7. North Marshall should require construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to

ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. North Marshall should require the Engineer to furnish within 60 days of the date of substantial completion of this construction a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

9. The financing plan proposed by North Marshall is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose. The financing plan should, therefore, be approved.

10. The recommendations and findings presented in the Staff Report, exclusive of the sections related to cost of service and rate design, are supported by the evidence of record, are reasonable, and are hereby adopted as the findings of the Commission in this proceeding and incorporated by reference as if fully set out herein.

IT IS THEREFORE ORDERED that:

1. North Marshall be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein, on the condition that service

levels be monitored and corrective action taken in accordance with Commission regulations.

2. North Marshall's financing plan consisting of a \$1,625,000 loan from KIA is hereby approved. The financing herein approved shall be used only for the lawful purposes specified in North Marshall's application.


3. North Marshall shall comply with all matters set out in Findings 3 through 8 as if the same were individually so ordered.


4. The revenue increase of \$254,230 proposed by North Marshall in its application is approved.

5. The rates to be set in the Final Order in this proceeding will be sufficient to produce annual operating revenues of \$814,716.

Done at Frankfort, Kentucky, this 26th day of May, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director